

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4129
ANSWERED ON:14.12.2001
AUDITING OF BANKS
AKHILESH SINGH

Will the Minister of FINANCE be pleased to state:

- (a) whether there is shortage of auditors in the office of the Comptroller and Auditor General(CAG);
- (b) if so, the reasons therefor and the action taken by the Government in this regard;
- (c) if not, whether the auditing work in some of the public sector banks is got done through some private agencies/chartered accountants;
- (d) if so, the details thereof alongwith the reasons therefor;
- (e) the number of such Public Sector Banks of which audit was got done through the private agencies/chartered accountants during the last three years;
- (f) whether after sometime of the completion of audit by the private agencies certain such irregularities came to the notice which these agencies could not detect; and
- (g) if so, the details thereof?

Answer

THE MINISTER OF STATE FOR FINANCE (SH. BALASAHEB VIKHE PATIL)

(a) & (b): Yes, Sir. There is shortage of six Auditors in the office of the C&AG of India for the reason that the vacancies could not be filled up due to ban imposed by the Government from time to time on filling up of the vacancies and due to non-sponsoring of candidates by Staff Selection Commission.

(c) & (d): The statutory audit of public sector banks is carried out by a team of statutory central auditors at head office/central office level and by number of chartered accountants firms at branch level chosen from one panel each furnished by C&AG and the Institute of Chartered Accountants of India containing list of eligible audit firms fulfilling the norms prescribed by RBI. The existing statutory scheme in the Banking Regulation Act, State Bank of India Act and the Nationalised Banks Act and the system evolved for formulating centralized audit policy, appointment of auditors etc., are consistent with international standards. As per existing legal provisions of the Companies Act 1956 and other related statute only qualified chartered accountants can undertake statutory audit of any organisation including banks.

(e) During 1998-1999 and 1999-2000, services of 154 and 157 audit firms were engaged for conducting statutory central audit of Public Sector banks. During 2000-01, 165 eligible audit firms recommended for appointment of statutory auditors of public sector banks.

(f) & (g): The statutory audit of the banks can only be conducted by the qualified chartered accountants and not by any private agency, as such the question of completing the audit by private agencies does not arise.